Inside Track
Research Note

FREEFORM DYNAMICS

Turning the tables on cloud service providers

Experienced customers are now calling the shots

in association with

OVHcloud

That was then...

When the cloud computing bandwagon got underway about a decade ago, it was met with much eye-rolling and scepticism within the IT pro community. It wasn't that IT teams didn't see the potential, it was more that the industry marketing machine got totally out of control. Evangelists positioned cloud services as the answer to all IT problems, with rhetoric that predicted the death of on-premise infrastructure and a shrinking role for all those working in enterprise IT.

It wouldn't have been so bad if the service provider community could actually deliver on the promises. With every player making it up as they went along in their own unique way, however, the early market was defined by immaturity, inconsistency and all too often by customer confusion and disappointment.

But the industry kept pushing and pushing and IT teams in the mainstream gradually relented. Even though few bought into the hype, and services weren't always scoped and shaped in a way they would ideally want, they began to experiment and tentatively adopt what was on offer. There was a sense, though, that activity was primarily driven by vendor and service provider agendas and interests rather than those of the customer.

...this is now

Wind the clock forward and our latest survey of 166 IT professionals paints quite a different picture. The scepticism is now largely behind us and cloud services are today considered by most to be an integral part of IT delivery (Figure 1).

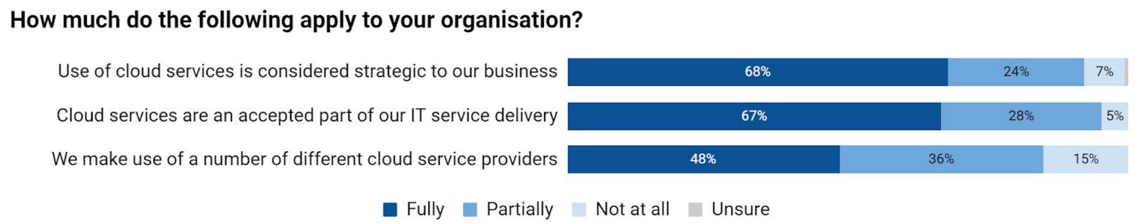

Figure 1 Cloud services are now accepted as an integral part of IT delivery

However, we shouldn't take this to mean that providers are now fully tuned into customer needs. Things have improved in this respect, but more significant is how customers have wised up to what matters and why (Figure 2).

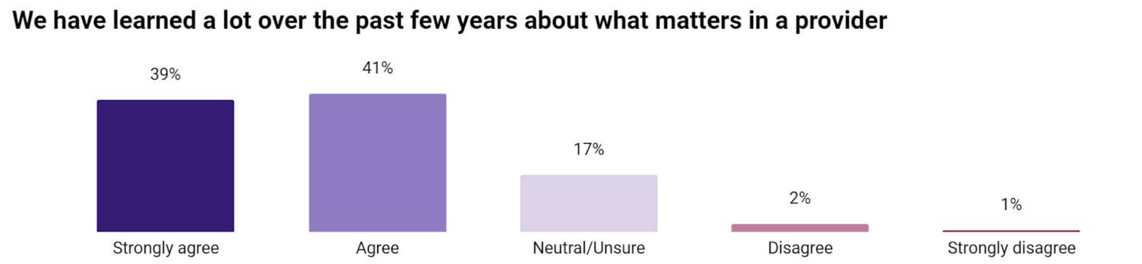

Figure 2 Experience has led to a greater understanding of what matters when it comes to cloud services

Building on such findings, it's clear that we've reached an inflection point. Impetus has shifted from an industry push to a more informed customer pull. As part of this, increasingly cloud-savvy IT teams are now taking control of the agenda, putting providers under the spotlight and making decisions in a more coordinated, clued-up and objective manner (Figure 3).

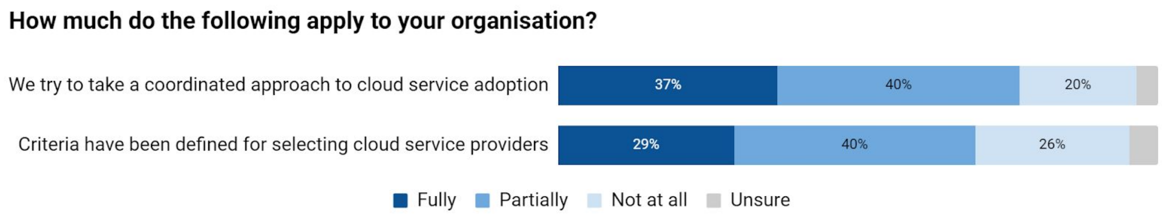

Figure 3 IT teams are taking control of the agenda and putting providers under the spotlight

Let's take a closer look at some of the key developments that have led up to this significant shift.

Lessons learned the hard way

The big American hyperscalers get a lot of the attention when cloud is discussed in the media. It's therefore not surprising that such players stand out prominently when you look at activity and commitment. But if you zoom out and consider the broader landscape, significant collective experience is evident across a whole range of provider types. Included here are local and regional players, specialists focused on specific applications or industries, and even cloud brokers (Figure 4).

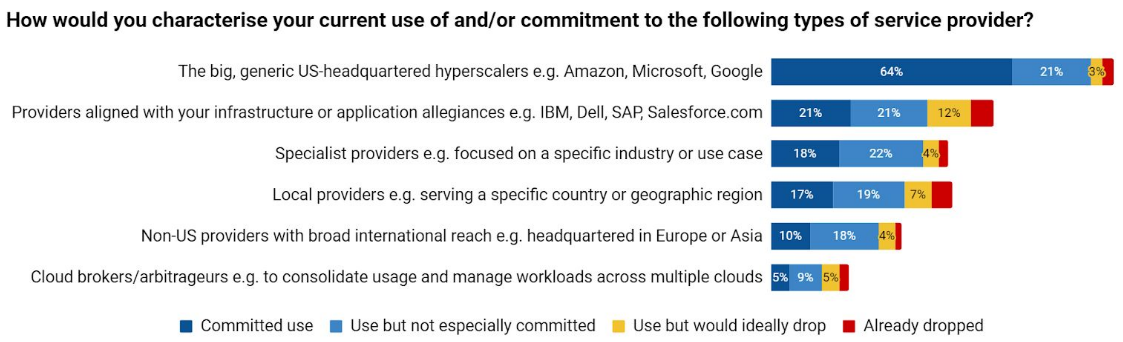

Figure 4 Significant collective experience is evident across a whole range of provider types

From a research perspective, this means we are tapping into a rich seam of real-world knowledge and experience of what matters and why when it comes to selecting and working with cloud service providers. And with experience often gained the hard way, this makes some of the insights even more valuable.

They said it would be cheaper

Despite the evangelist promises that were trumpeted so loudly and incessantly in the early days, it turned out that cloud services didn't universally help to make everything cheaper and easier to manage from a cost perspective. Some of those encountering challenges in this area have clearly worked through them over the years, but many are still grappling with the issues (Figure 5).

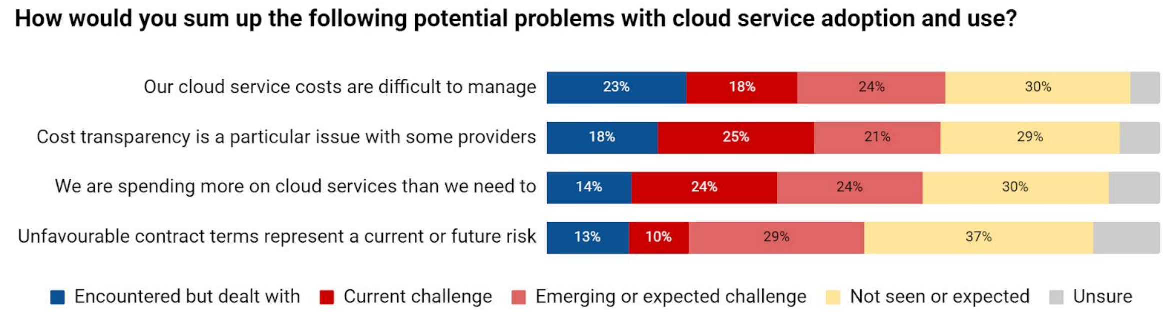

Figure 5 Many have encountered cost-related challenges

The suspicion, of course, is that a significant proportion of those not seeing or anticipating issues simply haven't gathered enough experience yet to identify the common pain points. The kinds of things we are referring to here came through when study participants were asked what they need from providers that they aren't currently getting. Here are some relevant examples from the wish list:

"Accurate billing records that can be trusted."

"More price transparency. We shouldn't have to work so hard to figure out the cost of each component that makes up a service."

"More transparent costing and auto-shutdown of unused systems."

"More bill insights and cost projections based on previous usage."

"Easier cloud expenses calculation plus future cost prediction."

"Reasonable pricing and contract terms for smaller businesses."

"More flexibility in pricing and payment."

A few comments referred to better rates, more favourable pricing and similar, but most of the cost-related challenges expressed were associated with flexibility, predictability and visibility. Indications are that IT professionals are well-beyond expecting cloud services to be cheap; what they want from providers is more assistance, tools and cooperation to keep service fees under control.

They said it would be simpler

Another area in which evangelist promises turned out to be misleading is in the management of complexity. It all sounded so attractive - let the provider look after all that boring infrastructure and platform stuff, and refocus your attention on higher-level activities that add value more directly to the business.

The truth is that experienced IT professionals never really bought into such claims. Two things became apparent quite quickly when you zoomed out to the bigger picture. Firstly, it was very unlikely that any single provider would be able to solve all your business needs. Secondly, it simply makes more sense to keep some applications and workloads on-premise. None of this has changed.

The upshot is that any simplification in the context of individual solutions or services is generally cancelled out by yet another set of integration dependencies and operational management considerations. With this in mind, some would even argue that cloud adoption over the past few years has actually added to the complexity in most enterprise IT environments. Either way, while some have again dealt with the issues, others are still working through the integration and operational challenges associated with hybrid IT (Figure 6).

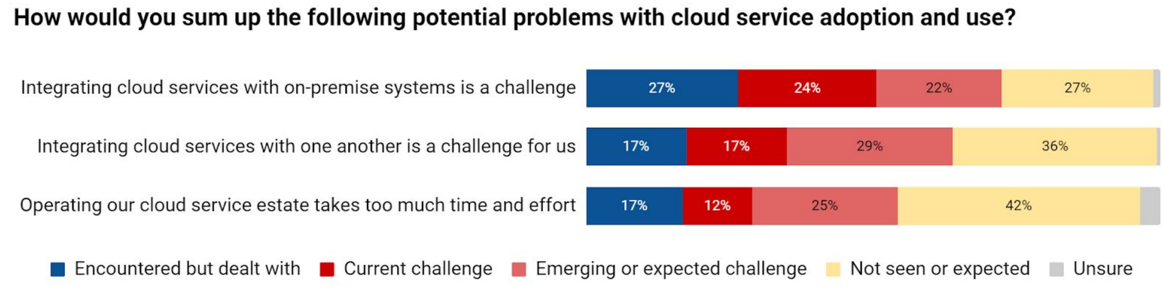

Figure 6 Managing hybrid/multi-cloud environments isn't always that easy

As with cost management, our research respondents' comments highlight some of the things they want to see more of from cloud service providers:

"Better integration with on-prem databases and applications."

"Commitment to application integration based on customer rather than marketing needs."

"APIs and services specifically designed to interoperate with other cloud providers. Currently, they seem designed to prevent or frustrate interoperability."

"Better connectivity between our on-premises network and the cloud to deal with latency and throughput requirements."

"More open collaboration with in-house IT."

"Documentation on the extent of compatibility with open specifications and industry standards."

Some study participants wrote complete anecdotes about their integration and compatibility related woes. The big call to action for service providers here is to appreciate that services are seldom used in isolation, so it's important to enable harmonious coexistence with other cloud services and on-premise systems. This applies at a process as well as a systems-level, e.g. providers will often need to work with IT teams throughout the implementation and operations cycle.

Our advice to customers is to pay special attention to integration, portability, and overall complexity considerations when making cloud-related decisions. The challenges discussed previously around charging, billing and cost management are often more acutely obvious, but the costs and overheads caused by excessive complexity and vendor lock-in are typically much more significant. It's also important to remember that overly complex environments tend to be more fragile and both harder and more time-consuming to manage and change.

Service provider assessment

When it comes to assessing service providers and specific services, the ranking and rating of different criteria provides us with a good reminder of how much needs to be considered (Figure 7).

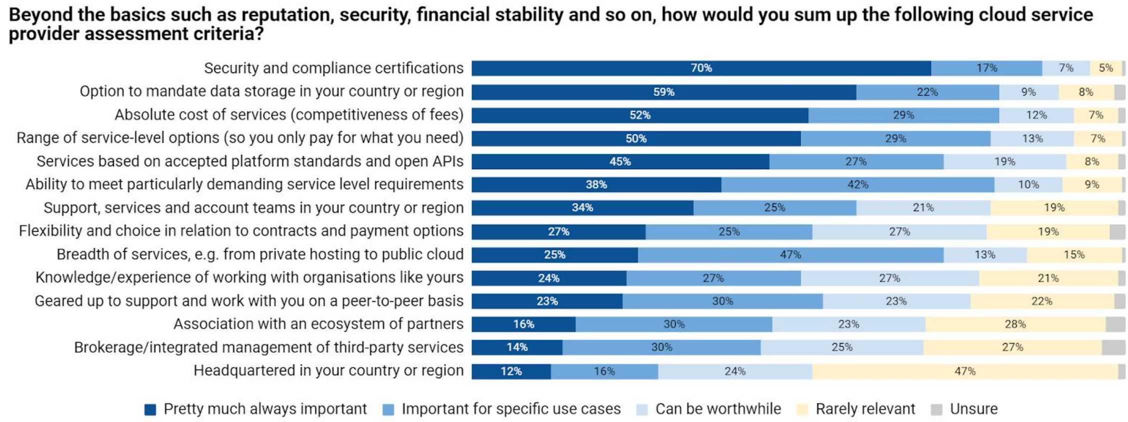

Figure 7 There's a lot to consider when assessing cloud providers

It's impossible for any list of criteria like this to be exhaustive, but what we've laid out is a good starting point for selecting new cloud providers or reviewing existing ones. Most of the elements are self-explanatory, though relevance and weightings will obviously be dependent on your own situation and requirements.

That said, it's worth saying a few words about risk management. Much has been written about security in relation to cloud services, so we won't dwell on that particular area. Suffice to say that some of the biggest challenges here at the time of writing are concerned with cross-boundary management of identity and policy rather than the inherent security of the provider's environment.

Beyond security, feedback during the research suggests that regulatory risk is also on many people's minds in relation to cloud services. Examples of requirements specifically called out in this area include:

"Contractually fixed locations for data storage and processing."

"Better controls to deal with data sovereignty and data residency."

"GDPR related guarantees."

"Local 'in country' presence."

"No presence in unfavourable countries."

Again, no real surprises here, but that last comment is particularly interesting in light of recent and ongoing geopolitical developments. Of course, what constitutes an 'unfavourable' country depends on where you are located, the jurisdictions in which you operate, and the other pressures to which your business is subjected. This brings us nicely to the question of how service provider allegiances, plans and activities might develop as we look forward.

Better the Devil you know, or time for a change?

The first instinct of many participating in the research is to stick with what you know, and in most cases this would appear to translate to a continuing allegiance to the big American hyperscalers (Figure 8).

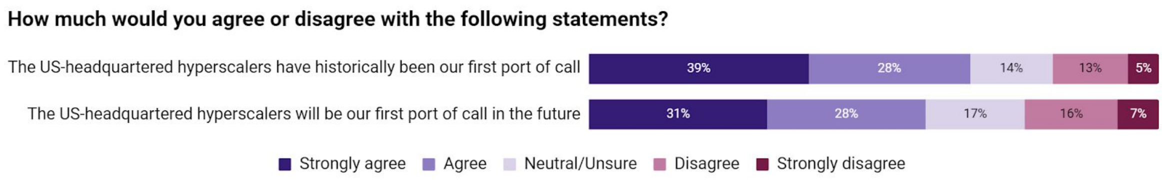

Figure 8 Most seem to be thinking "Better the Devil you know"

With 'country first' governmental policies and associated trade wars adding to an already complex set of international regulatory considerations, however, another factor is emerging. Close to two-thirds of study respondents say they are having to look beyond where data is physically stored to consider where providers are headquartered (Figure 9).

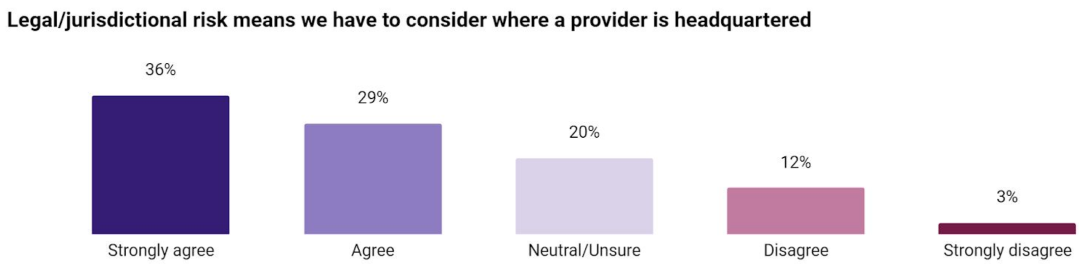

Figure 9 A new consideration has recently emerged

How this sentiment plays out in practice is difficult to predict. It's safe to say, however, that this along with some of the other factors we have discussed suggests a place for all types of provider. The message coming through is that it's important to maintain an open mind and keep your options open (Figure 10).

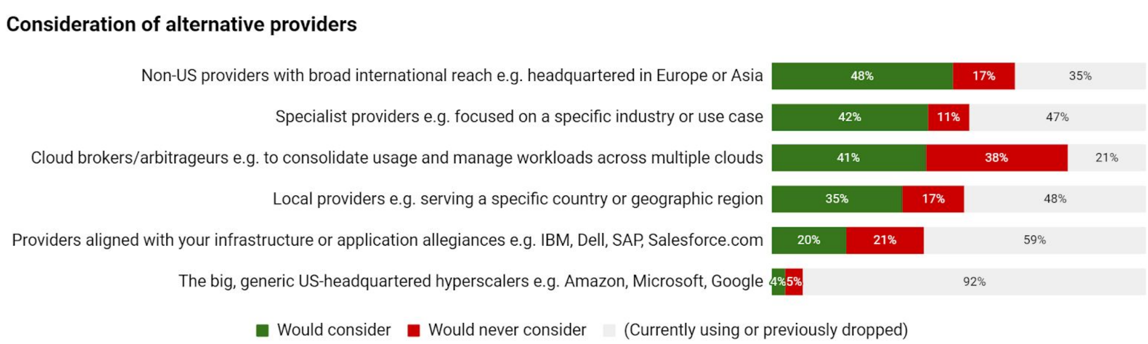

Figure 10 Minds are open, and there's a place for all types of provider

The hyperscalers have much to offer, but so do specialists and regional players.

Final thoughts

The results of this research confirm broad acceptance of cloud services as a natural and often strategic part of enterprise IT delivery. Furthermore, based on their experience over the past few years, indications are that many IT teams know what they want and are increasingly taking control of the cloud agenda.

This may be bad news for some providers who for whatever reason are not that well geared up to listen to customers and adapt to their evolving needs and expectations. Such players will increasingly be found lacking as their services and engagement models are scrutinised by customers that are much better informed than in the early days of the cloud market.

More demanding and discerning customers, however, also leads to more competition, which in turn drives innovation, efficiencies and openness. Indeed, we can already see this happening. The hyperscalers, for example, have had to take steps to integrate more effectively with on-premise IT, and come up with more workable pricing models for core enterprise workloads. Regional players and specialists, meanwhile, have continued to leverage customer intimacy, engagement flexibility and operational agility to differentiate from the big guys.

Against this background, the one certainty is that the provider mix you have in place today as a customer is unlikely to be optimal in one, three or five years time. Let’s therefore finish by reiterating the need to keep an open mind and make sure you review your cloud service portfolio on a regular basis. More of the same might well be the answer, but equally, it might not with the pace of change.

The bottom line is that it’s still a relatively immature yet fast-moving market, so you don’t want to miss opportunities to drive additional business advantage as the service provider ecosystem evolves.

About Freeform Dynamics

Freeform Dynamics is an IT industry analyst firm. Through our research and insights, we help busy IT and business professionals get up to speed on the latest technology developments, make better-informed investment decisions, and get the best from the infrastructure, software and services they use.

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